IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

BENEFICIAL INNOVATIONS, INC.,

Plaintiff,

v.

BLOCKDOT, INC., a Texas Corporation; CAREERBUILDER, LLC., a Delaware corporation; CNET NETWORK, INC., a Delaware corporation; DIGG, INC., a Delaware corporation; EBAUM'S WORLD, INC., a New York corporation; JABEZ NETWORKS, INC., a Tennessee corporation; THE NEW YORK TIMES COMPANY, a New York corporation; THE WASHINGTON POST COMPANY; a Delaware Corporation; THE WEATHER CHANNEL INTERACTIVE, INC., a Georgia corporation,

Defendants.

Civil Action No. 2:07-cv-263 (TJW/CE)

JURY TRIAL DEMANDED

DIGG, INC., a Delaware corporation

Defendant/Counterclaimant,

v.

BENEFICIAL INNOVATIONS, INC.,

Plaintiff/Counterclaim Defendant.

DIGG INC.'S ANSWER AND COUNTERCLAIMS TO BENEFICIAL INNOVATION, INC.'S SECOND AMENDED COMPLAINT FOR PATENT INFRINGEMENT

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Except as specifically indicated herein, Defendant Digg, Inc. ("Digg") denies knowledge and information sufficient to form a belief as to the truth of each and every allegation made about any individual, corporation, or entity other than Digg. With respect to the numbered paragraphs of the Complaint, Defendant Digg answers the Complaint of plaintiff Beneficial Innovations, Inc. ("Beneficial"), by and through its attorneys, as follows:

INTRODUCTION

1. Digg admits United States Patent No. 6,712,702 (the "'702 Patent") is entitled "Method and System for Playing Games on a Network" and United States Patent No. 6,183,366 (the "'366 Patent") is entitled "Network Gaming System." Digg denies the allegations of this paragraph as to itself, and Digg is without knowledge or information sufficient to form a belief as to the truth of the allegations of this paragraph as to other Defendants.

JURISDICTION AND VENUE

2. Digg admits this action arises under the Patent laws of the United States and this Court has jurisdiction over the subject matter of this action.

3. Digg admits venue is proper. Digg otherwise denies the allegations of this paragraph as to itself, and Digg is without knowledge or information sufficient to form a belief as to the truth of the allegations of this paragraph as to other Defendants.

PLAINTIFF BENEFICIAL INNOVATIONS

4. On information and belief, Digg admits that Beneficial is a corporation organized and existing under the laws of the State of Nevada.

DEFENDANTS

5. Digg is without sufficient knowledge or information sufficient to form a belief as to the truth of the allegations of this paragraph, which does not relate to Digg.

6. Digg is without sufficient knowledge or information sufficient to form a belief as to the truth of the allegations of this paragraph, which does not relate to Digg.

7. Digg is without sufficient knowledge or information sufficient to form a belief as to the truth of the allegations of this paragraph, which does not relate to Digg.

8. Digg admits it is a corporation duly organized and existing under the laws of the State of Delaware, having a principal place of business in San Francisco, California.

9. Digg is without sufficient knowledge or information sufficient to form a belief as to the truth of the allegations of this paragraph, which does not relate to Digg.

10. Digg is without sufficient knowledge or information sufficient to form a belief as to the truth of the allegations of this paragraph, which does not relate to Digg.

11. Digg is without sufficient knowledge or information sufficient to form a belief as to the truth of the allegations of this paragraph, which does not relate to Digg.

12. Digg is without sufficient knowledge or information sufficient to form a belief as to the truth of the allegations of this paragraph, which does not relate to Digg.

13. Digg is without sufficient knowledge or information sufficient to form a belief as to the truth of the allegations of this paragraph, which does not relate to Digg.

FIRST CLAIM FOR PATENT INFRINGEMENT
(Infringement of the ‘702 Patent)

14. Digg realleges and incorporates herein by reference its Answers to paragraphs 1 through 13.

15. Digg admits the ’702 Patent issued on March 30, 2004, but denies any implication the ’702 Patent is valid. Digg is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations of this paragraph.

16. Digg denies the allegations of this paragraph as to itself, and Digg is without

knowledge or information sufficient to form a belief as to the truth of the allegations of this paragraph as to other Defendants.

17. Plaintiff Digg denies the allegations of this paragraph as to itself, and Digg is without knowledge or information sufficient to form a belief as to the truth of the allegations of this paragraph as to other Defendants. Digg denies it has infringed or is infringing the ’702 Patent in any way. Digg therefore denies Plaintiff will be greatly and/or irreparably harmed unless this Court enjoins Digg from continuing the actions Plaintiff alleges infringe the ’702 Patent.

18. Digg denies that it has willfully infringed or continues to willfully infringe the ’702 Patent and Digg is without knowledge or information sufficient to form a belief as to the truth of the allegations of this paragraph as to other Defendants.

19. Plaintiff Digg denies the allegations of this paragraph as to itself, and Digg is without knowledge or information sufficient to form a belief as to the truth of the allegations of this paragraph as to other Defendants. Digg denies it has infringed or is infringing the ’702 Patent in any way. Digg therefore denies that Plaintiff has suffered damages as a result of Digg’s actions.

20. Digg admits Plaintiff demands a trial by jury of all issues relating to this claim.

SECOND CLAIM FOR PATENT INFRINGEMENT
(Infringement of the ’366 Patent)

21. Digg realleges and incorporates herein by reference its Answers to paragraphs 1 through 20.

22. The Digg admits the ’366 Patent issued on February 6, 2001, but denies any implication that the ’366 Patent is valid. Digg is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations of this paragraph.

23. Digg denies the allegations of this paragraph as to itself, and Digg is without knowledge or information sufficient to form a belief as to the truth of the allegations of this paragraph as to other Defendants.

24. Digg denies the allegations of this paragraph as to itself, and Digg is without knowledge or information sufficient to form a belief as to the truth of the allegations of this paragraph as to other Defendants. Digg denies it has infringed or is infringing the ’366 Patent in any way. Digg therefore denies Plaintiff will be greatly and/or irreparably harmed unless this Court enjoins Digg from continuing the actions Plaintiff alleges infringe the ’366 Patent.

25. Digg denies it has willfully infringed or continues to willfully infringe the ’366 Patent and Digg is without knowledge or information sufficient to form a belief as to the truth of the allegations of this paragraph as to other Defendants.

26. Digg denies the allegations of this paragraph as to itself, and Digg is without knowledge or information sufficient to form a belief as to the truth of the allegations of this paragraph as to other Defendants. Digg denies it has infringed or is infringing the ’366 Patent in any way. Digg therefore denies Plaintiff has suffered damages as a result of Digg’s alleged infringement.

27. Digg admits Plaintiff demands a trial by jury of all issues relating to this claim.

DIGG’S AFFIRMATIVE DEFENSES

FIRST AFFIRMATIVE DEFENSE

Digg has not and does not infringe (either literally or by the doctrine of equivalents), induce infringement, or contribute to the infringement of any valid and enforceable claim of the ’702 or ’366 Patents

SECOND AFFIRMATIVE DEFENSE

One or more of the claims of the ’702 and ’366 Patents are invalid for failure to meet one or more of the conditions of Patentability set forth in 35 U.S.C. §§ 101 *et seq.*

THIRD AFFIRMATIVE DEFENSE

On information and belief, the ’702 and ’366 Patents are unenforceable due to an unreasonable and unexplained delay in prosecution.

FOURTH AFFIRMATIVE DEFENSE

Beneficial is estopped, by way of prosecution history estoppel or otherwise, from asserting that Digg infringes the ’702 or ’366 Patents.

FIFTH AFFIRMATIVE DEFENSE

Beneficial is not entitled to injunctive relief because any purported injury to Beneficial may be addressed by an adequate remedy at law.

SIXTH AFFIRMATIVE DEFENSE

Beneficial’s Complaint fails to state a claim against Defendant upon which relief may be granted.

SEVENTH AFFIRMATIVE DEFENSE

The relief sought by Beneficial is barred in whole or in part under the doctrines of laches and/or waiver.

EIGHTH AFFIRMATIVE DEFENSE

Any defenses set forth in 35 U.S.C. §282 that are presently unknown to Defendant but which – when ascertained – Defendant prays leave to assert.

DEFENDANT'S COUNTERCLAIMS

Digg, Inc., by and through its attorneys, asserts the following counterclaims against Beneficial Innovations, Inc.:

PARTIES

1. Digg Inc. ("Digg") is a corporation organized and existing under the laws of Delaware having a principal place of business at 135 Mississippi St., 3rd Floor San Francisco, CA 94107.

2. Upon information and belief, and as averred in its Complaint, Beneficial Innovations, Inc. ("Beneficial") is a Nevada corporation organized and existing under the laws of the State of Nevada. Upon information and belief, Beneficial has a principal place of business at 3711 Halter Dr. Las Vegas, NV 89122.

NATURE OF THE COUNTERCLAIMS

3. These are counterclaims for declaratory judgment that Digg does not infringe, directly or indirectly, U.S. Patent Nos. 6,712,702 ("'702 Patent") and 6,183,366 ("'366 Patent") (collectively "the Patents") and that the '702 and '366 Patents are invalid.

4. Beneficial alleges in its Complaint in this action that it is the owner of all right, title, and interest in the '702 and '336 Patents and it further alleges that Digg infringes both patents. Digg denies that it infringes any valid claim of the either patent.

5. As a consequence of the foregoing, there is an actual and justiciable controversy between Digg and Beneficial.

JURISDICTION AND VENUE

6. This Court has subject matter jurisdiction over this controversy based on 28 U.S.C. §§ 1331, 1338, 2201, and 2202.

7. This Court has personal jurisdiction over Beneficial because, among other things, Beneficial has submitted to the jurisdiction of the Court by the filing of its Complaint in this case. Venue is proper under 28 U.S.C. §§ 1391.

DIGG'S FIRST COUNTERCLAIM
(Declaratory Judgment of Non-Infringement)

8. Digg repeats and realleges the allegations set forth in Paragraphs 1 through 7, above, as if set forth in full herein.

9. Digg has not infringed and does not infringe, directly or indirectly, any claim of the '702 Patent.

10. Beneficial's allegations of infringement against Digg have created an actual and justiciable controversy with Digg, and Digg is entitled to a declaration of non-infringement to resolve this controversy.

DIGG'S SECOND COUNTERCLAIM
(Declaratory Judgment of Invalidity)

11. Digg repeats and realleges the allegations set forth in Paragraphs 1 through 10, above, as if set forth in full herein.

12. One or more claims of the '702 Patent are invalid for failure to meet one or more of the conditions of Patentability set forth in 35 U.S.C. §§ 101 *et seq.*

13. Beneficial's allegations of infringement against Digg have created an actual and justiciable controversy with Digg, and Digg is entitled to a declaration of invalidity to resolve this controversy.

DIGG'S THIRD COUNTERCLAIM
(Declaratory Judgment of Non-Infringement)

14. Digg repeats and realleges the allegations set forth in Paragraphs 1 through 13, above, as if set forth in full herein.

15. Digg has not infringed and does not infringe, directly or indirectly, any claim of the '336 Patent.

16. Beneficial's allegations of infringement against Digg have created an actual and justiciable controversy with Digg, and Digg is entitled to a declaration of non-infringement to resolve this controversy.

DIGG'S FOURTH COUNTERCLAIM
(Declaratory Judgment of Invalidity)

17. Digg repeats and realleges the allegations set forth in Paragraphs 1 through 16, above, as if set forth in full herein.

18. One or more claims of the '336 Patent are invalid for failure to meet one or more of the conditions of Patentability set forth in 35 U.S.C. §§ 101 *et seq*.

19. Beneficial's allegations of infringement against Digg have created an actual and justiciable controversy with Digg, and Digg is entitled to a declaration of invalidity to resolve this controversy.

PRAYER FOR RELIEF

WHEREFORE, Defendants deny that Beneficial is entitled to any of the relief prayed for in its Complaint and pray that the Court:

1. Dismiss Beneficial's Complaint with prejudice;

2. Deny all relief requested by Beneficial;

3. Enter judgment in favor of Digg and against Beneficial on all counts in Beneficial's complaint;

4. Enter judgment in favor of Digg and against Beneficial on all counts in Digg's counterclaims;

5. Declare that Digg does not and has not infringed, directly or indirectly, the '702 Patent;

6. Declare that Digg does not and has not infringed, directly or indirectly, the'336 Patent;

7. Declare that the '702 Patent is invalid;

8. Declare that the '336 Patent is invalid;

9. Award Defendants their attorneys' fees and costs;

10. Permanently enjoin plaintiff Beneficial, its successors, assigns, and anyone acting in concert therewith or on their behalf, from attempting to enforce the '702 and '336 Patents against Digg or any parents, affiliates, subsidiaries thereof, or Digg's respective officers, agents, employees, successors, assigns, or customers;

11. Declare this case exceptional under 35 U.S.C. §285 if warranted; and

12. Grant such other further relief as it may deem just and proper.

JURY TRIAL DEMANDED AS TO ALL ISSUES SO TRIABLE.

Respectfully submitted,

/s/ Byron W. Cooper

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Attorneys for Defendant and Counterclaimant
DIGG, INC., a Delaware corporation

Dated: September 25, 2007

CERTIFICATE OF SERVICE

This is to certify that all counsel of record who are deemed to have consented to electronic service are being served with a copy of this document via the Court's CM/ECF system per Local Rule CV-5(a)(3) on this 25th day of September, 2007. Any other counsel of record will be served by first class mail.

/s/ Byron W. Cooper
Byron W. Cooper

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